

Central Hudson's Customers Should Be A Higher Priority

By

U.S. Representative Maurice Hinchey (D-NY)

I believe the *Poughkeepsie Journal's* editors must have been misled when they lamented the recommendation of Public Service Commission Administrative Law Judge Rafael Epstein that substantial changes be made to Central Hudson Gas & Electric's latest "financial plan". To support this plan, which is actually nothing more than a request to raise rates, one must hold the untenable position that Central Hudson's shareholders should benefit from the company's successes while ratepayers alone bear the burden of its failures.

During the 1970's and 1980's, ratepayers subsidized costly errors Central Hudson made in the operation of its generating facilities at Danskammer and Roseton. The company converted the largest two units at Danskammer from coal to oil-fired just before the OPEC oil embargo, and then had to switch back. The construction of the Roseton units was based on projections of demand that were about a decade ahead of reality. The resultant glut in generating capacity cost ratepayers tens of millions of dollars in increased rates. Now that the auction of these facilities has resulted in significant profits, Central Hudson wants to reward its shareholders. I agree with Judge Epstein that more of these profits should go to reducing rates than the company proposes.

Moreover, if Central Hudson is laying claim to part of the successful auction results of the Danskammer and Roseton units, it is only fair for the Commission to also consider the more dismal results of the company's sale of its interest in the Nine Mile Point #2 nuclear unit. This issue took up a large portion of the proceedings regarding the "financial plan." Judge Epstein decided he could not assess Central Hudson's claim for a shareholder windfall from Danskammer and Roseton unless the company disclosed information about NMP-2's negative effect on its ratepayers. In the absence of this information, which Central Hudson has refused to provide, the judge concluded that a reasonable assessment of the adverse impacts could be inferred from estimates I forced Central Hudson to produce in rate cases over ten years ago. According to those estimates, NMP-2 has increased rates in the Hudson Valley by between \$400 million and \$500 million, and has been a significant reason why electric rates in this region are above national averages.

I am perplexed by the argument that the company's shareholders deserve both a higher rate of return and an increased share of the generating plant auction proceeds than recommended by the judge on the grounds that, "many of those investors have stuck with the utility through hard times and now deserve some recognition." These shareholders have the right and ability to elect the company's leadership and thus directly control its policies and practices. If dissatisfied, they have the ability to take their investment elsewhere. By way of contrast, until recently, the company's ratepayers have had nowhere else to turn for electric service. Nor have they been able to escape the consequences of some of Central Hudson's costly blunders. Any reasonable application of the "hard times" test surely must fall in ratepayers' favor.

The Public Service Commission has too often simply gone along with Central Hudson's wishes. Judge Epstein's recommended decision is a welcome departure from this history, representing a hard-nosed and thorough step in the right direction.